Smart Money Swing Trading Webinar

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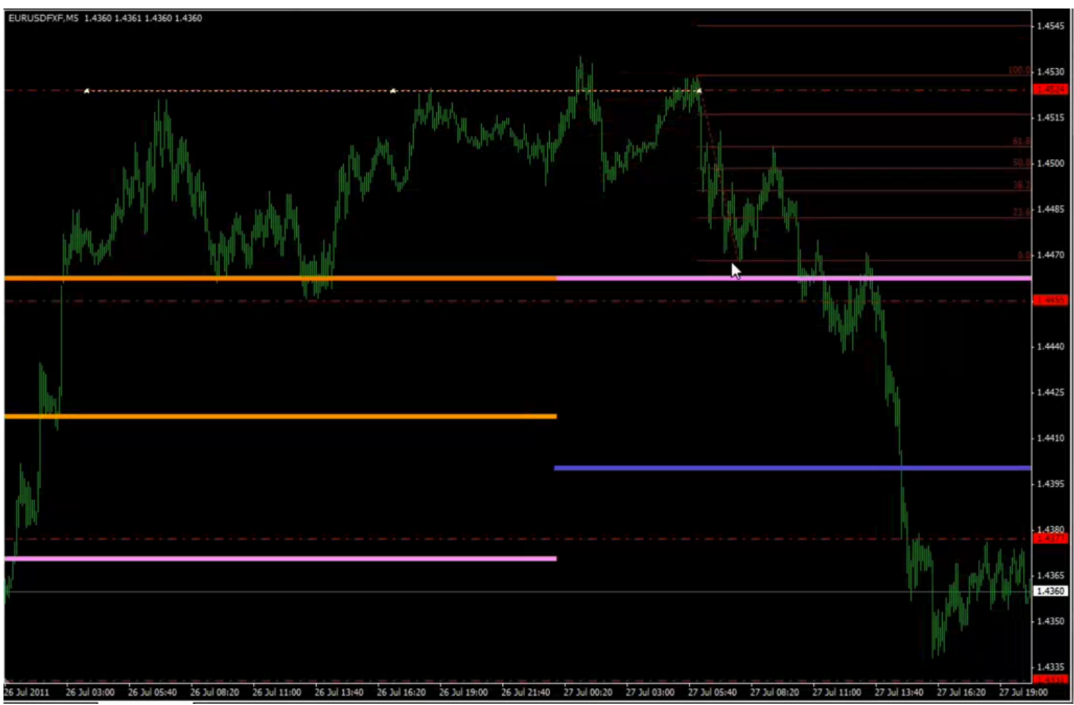
- The "Smart Money" is the banking institutions, institutional trading firms, and the elite traders. They are essentially "the Market." The only way to make money as a retail speculator is to ride the movements that they create. They generate the up and down oscillations in the market.
- On large range days the open is on the opposite extreme side of the close. We want to get in early near the opening on these days.
- Typically in the first 4 hours of trading (starting at New York midnight) the high or low will form for the day. Sometimes it can happen in the first 5 hours of trading as well. You can see a small variance when we have daylight savings time impacting the market.
- You can use a 1 hour buffer around the session openings to start looking for trades. This is the "kill zone."
- Street money is really paranoid and they don't know what they are doing, but they still just want to get in the market.
- Market makers are always going to try to pair orders above previous highs and previous lows. The market will pierce the previous high or low by a few pips and then price will trade back into the range.
- ICT made a lot of money in Wheat in 1995.
- The banks look for pockets of resting stops because they need that liquidity to get their large orders filled.
- Stop raids are big footprints in the sand left by the "smart money." You want to see the stops get raided and then **SLAM** back down into the range.
- In the image below, the stops were raided right before where the mouse is sitting, when price slams down after raiding those stops, that is telling you that someone much larger than you has established a short position. They are not going to get their entire position filled on the first stop raid. There is going to be another portion. You can't get the amount that they want to trade in one stop raid/high. They allow the market to trade back up and that is where the optimal trade entry takes place.



- You want to see price tip it's hand to you by having a false breakout and then slamming back down.
- In the image below, you can see how much time price spent in the optimal trade entry. This is where all the pairing of orders takes place. They are filling the rest of their trade which is net short.



- As seen in the image below, once we get back deeper into the consolidation, we can start pulling our Fibs on key reaction points which is nothing more than swing highs and swing lows.



- The London session will typically post the daily high or low. You will only get hurt when you have consolidation and choppy range days which usually happen before news events.
- 15-20 pips is a good scalp, you don't want to look for anything less than that.
- When you see a level that is as clean as the one that the mouse is hovering by below, that should be very suspect to you.



- In the image below, street money would have tried to buy the breakout when it came down and tested the "resistance turned support" which is the red line at the upper end of the consolidation. Their stop would have been below the low of the range. They would have been smoked here because it was just a stop raid and sucker play to get new longs in the market and then it slammed everyone out.



- It went extremely hard through those lows because that is where the liquidity was resting.
- ICT typically ignores the deviations that daylight savings time creates and just uses the same GMT time frames for his kill zones. He is looking for the London open high or low to form around 7:00 - 9:00 GMT year round.
- You can have killer setups if you follow just the 1 hour chart and where the key turning points happen on that chart. Even if your longer term analysis is wrong, there is still likelihood of profitability simply because of a bounce. Reaction levels on a 1 hour chart are very rewarding because you will get nice moves. Below is an example of this concept:



- In trading, it is not whether you are right or wrong, but rather if you are increasing your bottom line. You are doing this to build wealth and not to gamble or play a game.
- 12:00 GMT is the beginning window for New York open.
- ICT concepts generally tip you off to what the news is going to produce. The only caveat to that is Non-Farm Payrolls. NFP can be absolutely nuts.
- The image below is the same example as the image above on a lower time frame. Price is moving up leading into a market moving event (GDP) so someone out there must have more information than us. They get the information in a more timely manner than we do and they are greedy so they want to get in position for the move. There is accumulation going on right before the big move.

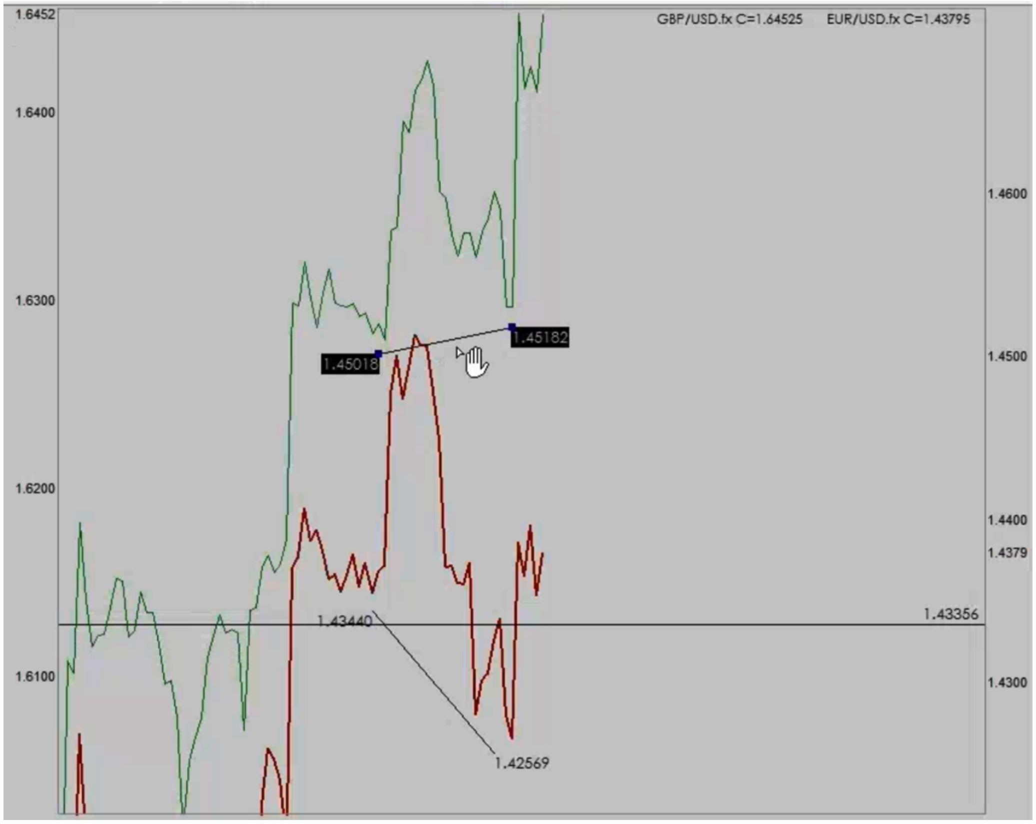


- With higher impact news releases coming out, you would probably want to use the 62% retracement + the spread as an entry. When there is not a high impact news release coming out you would probably use the OTE or 79% retracement.
- You are not trying to react to price. You are anticipating what price is going to do.
- Just pick one indicator that you like if you are going to trade an indicator. They all are trying to tell you the same thing.
- Stochastic and MACD divergence should only be used when it lines up with price action. It can be used as

confirmation of your trade idea and give you confidence to use more leverage.
- You want to exit trades while the market is still moving in your direction.
- Use the bodies of the candle only when looking for support & resistance and key levels.
- Typically the Asian session will run to previous day high or previous day low, break it by a little bit, but then have an unwillingness to go any further.
- The central pivot is always referred to as "value."
- Use a line chart when looking for SMT divergence.
- Below is an example of bullish divergence on a line chart basis. The red line is the Fiber and the green line is the Cable. The platform being used is GFT Dealbook, but you can find overlays on dailyfx.com as well. This is a 15 minute chart.



- SMT divergence indicates that there is accumulation going on.
- SMT divergence is generally used on the 15 minute time frame and higher.
- In the image above, the massive accumulation was taking place in the Cable (green line).
- The same example really jumps off the chart at us on the 4 hour chart. We use bullish SMT divergence when we have an expectancy of higher prices.



- The one that fails to make a lower low is failing to do so for a reason. They are accumulating such a large position that price is unable to make it any lower. Upon seeing the SMT divergence above, you would start looking for buys.
- Divergences only happen when there is a massive player in the market.
- You want your trades to give you at least 2-3 times as much profit as you are risking.
- GBP/JPY and EUR/JPY can also be used for SMT divergence.
- SMT divergence gives you a really good means of determining where buying pressure is and where selling pressure is. You can see it unfolding ahead of time.
- SMT divergence is a confirmation tool. It gives you the confidence in knowing that you are trading with institutional sponsorship.
- If price trades significantly below the 79% retracement level then you should be looking to close the trade out. There is no need to let it get to your stop in this scenario. You can always look for another opportunity to get in the trade that has a better optimal trade entry.
- Your stop loss is your safety net, it is not there to get hit every time. Even though your stop loss is at 30 pips it does not mean you should stay in the trade until that stop loss gets hit.
- To trade stocks you can simply plot the NASDAQ, DOW, and S&P 500 on a daily chart and when one of those averages fails to make a lower low you have what is referred to as a major market divergence. Then you look at all the industry groups that have failed to make a lower low. Within those industry groups you will find stocks that make a higher low. Look at the valuation of the options on those stocks and if they are undervalued you buy call options on those. Hold it for 3-4 weeks and then take your profits. You can use swing projections for profit taking just like in Forex.
- Pound and Fiber trades are based on the US Dollar. If you are an EUR/JPY or GBP/JPY trader, you would base your trades on the Yen and use the correlation between the 2 pairs for SMT divergence.
- As soon as you get bullish market flow the only thing you are going to be worrying about is where is the swing low going to form?